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jobs and poverty

a report by the
national council of welfare
on canada's working poor

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national council
of welfare



conseil national
du bien-être social

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C A P T U R E D C O N T E N T S

J O B S A N D P O V E R T Y

A Report by the
National Council of Welfare
on Canada's Working Poor

National Council of Welfare
Brooke Claxton Building
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June 1977

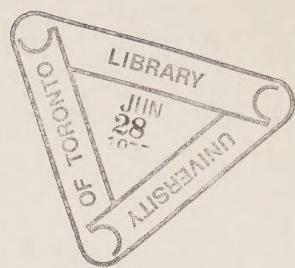


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INTRODUCTION

Work means more to most people than simply making money. Above and beyond the income it produces, and the things money can buy, work brings self-respect and personal satisfaction and defines a person's position in his community and the wider society. Where and how we work strongly influences most aspects of our lives, from the friendships we maintain and place we live, to the way we raise and educate our children. Along with the family, work is a core institution which provides order and meaning to our daily lives.

Contrary to the view of those proclaiming the demise of the work ethic, work is in no way declining in terms of its personal significance. Recent studies in Canada and the United States indicate that the overwhelming majority of those of labor force age continue to place a high premium on having a job. The work ethic is as strongly held today as it ever has been.

What is changing, however, is the kind of expectations that employees are bringing to their jobs. For most Canadians it is no longer sufficient that work only provide a decent income. Workers, particularly the young, have shifted their emphasis to the content and quality of their jobs. They are seeking challenge and variety in their work, the chance to develop fresh skills and to find personal fulfilment.

We long ago accepted the principle that an adequate wage is a fundamental right of employment. In more recent years decent working conditions, the protection of fringe benefits, and reasonable opportunities for advancement have come to be regarded as additional basic entitlements of employment. All of these are rights which every working Canadian should be assured.

But they are not rights which all working Canadians enjoy.

There is a large group of workers who are denied even the fundamental right of an adequate wage - a group which occupies a

curious and unenviable position in our economy. They work, but their earnings are not sufficient to meet their basic needs. They are poor, yet we offer them little in the way of special support. They are the working poor, the forgotten poor in Canadian society.

Many people continue to believe that the poor are all unable or unwilling to work. This myth ignores a basic fact about poverty in Canada: fully 60 percent of low-income family units headed by persons aged under 65 rely on work rather than government assistance for their inadequate incomes.¹ Including the 513,400 wage earners who are family heads, the total number of Canadians in working poor families is close to one and a half million.

The working poor are found in every part of the country. In 1973, 61% were in Ontario and Quebec, another 21% in the Prairies, 8% in British Columbia, and 10% in the Atlantic provinces. Half of the working poor live in cities with populations over 100,000; a quarter live in smaller cities and towns, and the other quarter in rural areas.

These figures indicate the dimensions of the problem of work and poverty, and the extent to which it is shared by every region of Canada. The working poor are a significant part of our society. Their numbers are substantial in every province and in every city.

Statistics on the characteristics of the working poor give an insight into the people who make up this majority of Canada's poor. Thirty percent are under the age of 25, most of them single persons who do not yet have family responsibilities. Among the 70% who are over 25, however, the large majority - two out of three - are the heads of families with dependent children. And working poor families are larger, on average, than families which are not poor.

The working poor, as a group, are better educated than the poor who do not work, but less well educated than those who

are not poor. More than one out of three working poor family heads have not completed grade 8; another 29% have not finished high school. Although 22% of the working poor have had some post-secondary training, these are mostly younger persons.

As informative as all these figures are, however, they tell only a small part of the story. It is not their ages, education or geographic distribution that distinguish low-income workers. The single common factor which sets the working poor apart as a group within our society is their jobs.

They have jobs like that described by a woman who packs chocolates in a Nova Scotia factory for up to 13 hours a day at the minimum wage:

(It's) such a menial task it needs no real concentration. So they speed up the work without losing quality and the entire pressure is on us. When we first started, three of us were doing 27 boxes a minute. The next day, we were doing 27 boxes each, and everyone was going crazy. Instead of all of us getting together and telling the supervisor 'look we can't keep on', we just kept working. One woman was so upset she was crying.²

The ranks of the working poor are both broad and varied. They range from junior clerks and cleaning women in the office buildings of our largest cities to woodlot operators and fish processing workers in our rural areas. They are the laundrymen in our dry-cleaning establishments, the textile knitters and small appliance packers in our factories, the babysitters and housekeepers in our homes.

The poor who work in these kinds of jobs cannot afford the luxury of participating in the debate over the quality of work. They are more concerned that their jobs are too irregular or low-paying to provide the necessities of life for them and their families. They worry not so much about the lack of opportunity

for self-fulfilment in their work, as whether they will manage to hold on to their jobs, no matter how mind-numbing or unpleasant they may be. For those who work but remain poor, the most fundamental and pressing issue is the lack of even minimally adequate economic rewards.

The reason for the situation of the working poor may seem simple and obvious: their earnings are too low to meet their basic needs. While this readily describes their problem, it doesn't explain why it exists. Although it is tempting to seek an explanation in terms of the deficiencies of individual workers - their low educational achievement or their lack of skills - the answer doesn't lie here.

Instead we must examine the labor market itself, how it is structured and how it operates. Only then can we identify the forces which confine the working poor to over half a million jobs that fail in every respect to provide the rewards and benefits that most Canadians consider fundamental rights of employment.

THE WORKING POOR
AND THE LABOR MARKET

Most people don't give much thought to so abstract an idea as the structure of the labor market. But expressed in everyday terms, the concept is not very difficult to understand. Our personal experience in the work world gives us a notion of how levels of pay are attached to various jobs and how the job ladder can be climbed.

We believe that workers are rewarded according to their qualifications and performance. Everyone knows that a company president makes more than a plant manager, who in turn is more highly paid than a foreman, and so on down the line to the youngest stockroom boy or unskilled laborer. The president, it is assumed, had to earn his position, just as the plant manager and foreman had to strive for theirs. It is presumed that through diligence and performance each person has the opportunity of moving to a better job - good workers to become foremen; able foremen to become managers; competent managers to become vice-presidents.

White-collar jobs - professional, managerial and technical - are all part of this well-ordered 'normal' labor market. So are skilled blue-collar jobs (miners, craftsmen and skilled production workers, for example) and middle-level sales and supervisory positions. Some reasonably paid semi-skilled and unskilled jobs, usually in large firms with a unionized work force, are also found in the normal labor market.

But for hundreds of thousands of low-income workers this normal labor market is almost completely alien to their daily experience. They work in a distinctly different labor market from the majority of Canadians, a market on the margin of our economy and society.

A description of the jobs of newly-arrived immigrants, one of the major groups of low-income workers in Canada, applies as well for many others in the marginal labor market:

While they dream of 'tomorrow', they man the clangng textile and clothing factories which line St. Lawrence and Park (Streets in Montreal), they clean toilets in glittering downtown high-rises, wash dishes in grimy restaurant kitchens, pull switches and operate machinery in fuming plastics and chemical factories ... abattoirs ... machine shops.³

Identifying the marginal labor market is not simply a matter of listing the companies or the categories of jobs which belong to it. Many industries and occupations combine some jobs in the normal labor market with others in the marginal market. Often the working poor make up only a minority of employees within a specific company or a larger industry.

What sets the two labor markets apart are their very different structures - the distinctive rules by which they operate and the unequal level and scope of rewards they provide to their work force.

The rules of the normal labor market - its mechanisms for basing rewards on performance and providing opportunities for advancement to competent workers, for example - don't apply in the marginal market. The marginal labor market, as we will see, has its own rules and structure.

To understand the differences between the two, and the consequences for their workers, we must examine several factors: the level of wages paid in each labor market, the insufficiency of minimum wages, the fringe benefits and conditions of work that each provides, and the barriers that separate the two labor markets.

Taken together, these factors explain why Canadians employed in the normal labor market earn reasonable or generous incomes and enjoy a wide range of special benefits that make work more pleasant and retirement more comfortable. They also explain why the working poor, trapped within the marginal labor market, must toil in unattractive jobs which don't offer even the minimal reward of a decent wage.

WAGES AND THE MINIMUM WAGE

Whether they constitute a low-wage ghetto within a firm in the normal labor market, or the bulk of the work force in a marginal enterprise, the working poor share one overriding characteristic: they earn low wages. The following table provides some examples of the wages paid in typical full-time jobs in the marginal labor market.⁴

	<u>Median wage</u>
Cleaning women	\$ 5,949
Dry cleaning machine pressers, men	6,136
Hand cementers, shoe industry, men	6,302
Heavy-duty laundrymen, smaller hotels	6,084
Hosiery pairers, women	5,408
Saleswomen, class A	5,928

As low as these figures are, actual median wages are likely to be lower still. In the first place, the survey on which the wage figures are based includes only establishments with 20 or more employees; it ignores the large number of small operations which typically pay the lowest wages. Moreover the study covers only 35 cities and larger towns, failing to gather information from small centers and rural areas; wages and salaries in these places are generally lower than in more urbanized areas.

The common rationale for the poverty of the working poor is that they lack the specialized skills, disciplined work habits

and formal qualifications demanded by an increasingly complex economy. But, in fact, the inadequate wages paid in the marginal labor market are the product of forces external to low-income workers - forces over which they cannot conceivably have any control.

Firms in the marginal labor market are usually small and lack the sophisticated technology, managerial expertise, and capital that characterize industries in the normal labor market. As a result, they are less productive, earn smaller profits and struggle for survival in a tough, competitive market. The prospect for workers employed in such marginal firms is bleak, since their fate is tied to vulnerable enterprises which can go out of business almost overnight because of a slump in demand or pressure from new competitors.

Statistics show that small establishments, whether they are manufacturing companies, restaurants, stores, farms or fishing operations, generally pay lower wages than larger organizations. For example, in 1975 a cleaning woman working in a large firm with 500 or more employees earned an average of 37 cents an hour more than if she worked in a medium-sized outfit employing between 100 and 500 workers. She made 47 cents an hour more than in a small operation with fewer than 100 employees.⁵ The task the cleaning woman has to perform and the skill and effort it requires remain the same no matter where she works; what counts in terms of earnings is whether she is fortunate enough to find a job in a larger company.

The nature of the industries which employ them is only the first factor outside the control of low-income workers. The other equally important element is the process by which their earnings are determined.

Not that workers in the normal labor market have much personal control over how their wages are set. They don't. But the process of wage determination to which they are subject -

involving the cumulative effects of union demands, management concessions and job skill requirements - is one which works generally in their favor. For marginal workers, however, there is quite a different process - one which operates only to their detriment.

After entering a company at a level determined by his work experience and formal qualifications, the employee in the normal labor market usually will be promoted up the job ladder if he displays proper work habits, aptitudes, reasonable competence, and loyalty to the organization. Generally speaking, because of these promotions his earnings will increase as he gets older. Even if he works for an organization that doesn't offer an extensive job ladder for his particular occupation, an employee in the normal labor market can at least expect regular pay increases - especially if he belongs to a strong union or employee association.

The earnings of the working poor, in contrast, are determined in a much less complicated fashion. Industries in the marginal labor market rarely organize jobs according to ladders of ascending levels of pay, skills and responsibilities. Nor do they provide for advancement through training acquired on the job, or reward good performance by promotions or raises in pay. Instead, the single most important determinant of the wages of low-income earners is the amount of time they work.

For someone unfortunate enough to be employed as a hosiery packer in a marginal firm, the only way to earn more is to work longer hours or somehow increase the pace of production. No matter how diligently a packer works or how long he or she has been with a company, the rate of pay remains the same. For sorting, counting and packaging 500 dozen pantyhose at 3 cents a dozen, the most productive worker in one Montreal firm in 1974 managed to earn a mere \$15 for a 10 hour day.⁶

For workers paid on an hourly basis, the number of hours worked a week or weeks a year has an obvious and marked impact on

income. Not surprisingly, a much larger proportion of heads of working poor families (54%) are employed on a part-year basis than heads in the non-poor population (only 19% of whom work less than the full year). Similarly more working poor family heads are employed only part of the week (13% compared with 3% among the non-poor).⁷

If the decision to work less than full time or all year were up to the individual worker, there would be little sympathy for someone who chose to be poor. However, many low-wage earners work in jobs which are prone to seasonal interruptions and economic fluctuations.

Since an individual low-income worker can do so little on his own about the level of his wages, the need for some kind of government protection has long been recognized. This has usually taken the form of minimum wage laws which are intended to guarantee that no one will receive less than a basic, adequate hourly rate for his work.

The simple fact that more than half a million Canadians work but remain poor makes it clear that minimum wages, by themselves, cannot provide an effective income threshold for all low-wage workers. The following table compares earnings from year-round, full-time employment at minimum wage rates with the revised poverty line for families of varying size in five major cities.⁸ Figures with plus signs indicate the amount by which the provincial minimum rate exceeds the poverty line, while figures preceded by minus signs indicate the shortfall between the minimum wage and poverty line.

Difference between the minimum wage
and the revised poverty line for
families of various size
in five cities - 1976

	<u>One Adult</u>	<u>Two Adults</u>	<u>Two adults and one child</u>	<u>Two adults and two children</u>
Halifax	+\$1,866	+\$ 133	-\$1,146	-\$2,228
Montreal	+ 1,853	+ 4	- 1,440	- 2,583
Toronto	+ 1,395	- 454	- 1,836	- 3,012
Winnipeg	+ 2,019	+ 170	- 1,212	- 2,388
Vancouver	+ 2,123	+ 274	- 1,108	- 2,284

In none of the five cities could a family with one earner, a spouse and one child make enough at the provincial minimum wage to reach the poverty line; the deficiency is anywhere from \$1,108 to \$1,836. The dollar gap for families with two children is even more dramatic, ranging from \$2,228 below the poverty line in Halifax to \$3,012 in Toronto.

Since existing minimum wages are too low, raising them to the poverty line might appear to be the answer. However, any measurement of poverty must take family size into account while wage rates, minimum or otherwise, do not. A minimum wage sufficient for a small family will not be enough for a large family. Even minimum wages substantially higher than existing levels will always leave some working families in poverty.

If the highest current minimum wage rate - \$3.00 an hour, applicable in Quebec, Alberta, British Columbia, the Yukon and the Northwest Territories - were generalized to all federal and provincial jurisdictions, single-earner families living in Montreal, Toronto, Winnipeg, Calgary, Edmonton and Vancouver would still fall

short of the poverty line by \$1,108 if they have one child, and \$3,085 if they have three children. Even if the rate were jacked as high as \$4.00 an hour - a level that only the most avid supporters of higher minimum wages have advocated - single-earner families with three children would still remain \$1,005 below the poverty line in our largest cities.

For those working poor who are employed only part of the week or year, minimum wages are particularly ineffective. Just as minimum rates cannot take family size into account, neither can they compensate for intermittent employment. Even an astronomically high minimum wage could not make up for the loss of valuable earning time experienced by seasonal and part-time workers.

Minimum wages, while important, are no panacea for the problems of the working poor. As vital as such legislation is to prevent the exploitation of low-income workers, it can never solve the income problem of all working poor families, particularly since they have, on average, more children than non-poor families and are more likely to experience part-time or part-year employment. These laws, by themselves, will no more do away with the inadequate wages of the marginal labor market than the working poor, by themselves, will ever gain control over the market forces which are the cause of their poverty.

THE OTHER SIDE OF WORK:
CONDITIONS AND FRINGE BENEFITS

Denied so fundamental a right as an adequate wage, the working poor stand little chance of realizing the other basic entitlements of employment - decent working conditions, reasonable fringe benefits, and protection against arbitrary treatment from employers. But to speak in such generalities cannot possibly convey what it means to be a low-wage worker. A journalist describes her personal experience in a garment firm:

He took me down some rickety wood stairs to a black windowless basement smelling of oil and dust where about 60 noisy machines were making snow-white stockings ... Piercing light shone on the machines, but the rest of the place was in semi-darkness, illuminated here and there by a swinging light bulb ... Half-filled oil tins, broken jars, plastic tubing, crunched metal waste baskets, cigarette butts, wads of gum, cast-off stockings and hunks of cardboard littered the black cement floor ...

The forelady was at the front of the room doing some hand sewing and watching everyone out of the corner of her eye. She marched down to my table. "Don't stop work," she ordered ... "not for a minute, not even for a second ... don't put your head up ... if you do we'll send you away" ...

Up at 5:30 ... at work at seven ... 10 minutes off for lunch ... finish work at five ... home at 6:30 ... at night totally exhausted. Fifty hours a week ... for \$75 ... over \$22 a week under the mandatory minimum wage.⁹

This reads like an account of a sweatshop in the nineteenth century - but it isn't. It's a description of a Montreal factory in 1974. Thousands of men and women throughout Canada work in similar dreary, even dangerous surroundings, and all they get in return is poverty.

It was these kinds of working conditions that gave rise to the trade union movement over a century ago. From its modest beginning, the movement has grown so it now encompasses 37% of Canadians working outside of agriculture.¹⁰ Its membership is composed primarily of the employees of large companies and skilled blue-collar workers - the mainstay of the normal labor market. In more recent years, white-collar employees have been forming professional associations which, though not part of the trade union movement, serve many of the same purposes.

The role of unions in fighting for better pay for their members is well known. Though the exact effect of unions on wage levels is a complex topic much debated by economists, the evidence certainly suggests that in recent years unskilled and semi-skilled workers who belong to unions have improved their relative earnings more than their non-unionized counterparts.¹¹ An Ontario study found that unionized manufacturing workers earned between 10 and 17 percent more than non-unionized employees in the same industries.¹²

Higher wages are only the first benefit of unionization. Of equal importance are the valuable fringe benefits that unions and professional associations have won for their members and which, in turn, have been extended to virtually all other employees in the normal labor market. The comprehensive range of such benefits is impressive: full or partial payment by employers of provincial health insurance premiums; life, accident and supplementary medical insurance; paid sick leave; and, above all, private pension plans.

In dollar terms these fringe benefits represent a substantial cost to employers and a valuable non-monetary compensation to employees. Larger unionized firms in Canada spend close to 28% of their payroll budgets on such non-wage compensation.¹³ According to a recent study of manufacturing industries in Ontario, unionized firms contribute almost twice as much money to pension, sickness and welfare plans as non-unionized companies.¹⁴

Fringe benefits amount to a private income security system for most employees of the normal labor market. In the event of sickness, accident or retirement these workers are not wholly dependent on public medical and social insurance programs, but are covered by some kind of private plan which either augments the benefits of public programs or provides protection which is not afforded by any government scheme.

Naturally the scope and level of benefits in these private plans vary greatly from company to company and from union to union; the private income security system is a crazy-quilt of programs which provide more generously for some workers than for others. But inevitably the private system, stacked on top of government programs, guarantees greater benefits than the public system alone can ensure.

The fringe benefit which is most often of concern to workers is a pension plan. The Canada and Quebec Pension Plans, which together cover virtually everyone who works, provide a current maximum pension of only \$173.61 a month. The benefits paid to an individual are calculated as 25% of the annual average of his 'pensionable earnings'. (For 1977, maximum pensionable earnings are \$9,300). In addition to the C.P.P., the federal government's Old Age Security pension pays \$143.46 to anyone aged 65 years or more. For those with little or no outside income, there is the Guaranteed Income Supplement of \$100.62 for a single person and \$178.70 for a couple.

The combination of these federal programs (plus varying but modest provincial supplements) hardly provides a generous income for a comfortable retirement. No wonder, then, that unions have placed so much emphasis on company pension plans - fringe benefits that continue to protect workers in the normal labor market even after they have retired.

Superior wages, good working conditions and ample fringe benefits offer unionized workers a comprehensive package of job rewards. In addition, there is one more appreciable benefit of unionization - the protection which trade unions have won for workers against arbitrary treatment by employers.

Seniority clauses in collective agreements, for example, ensure that the length of a worker's service to his company is taken into account in such important matters as lay-offs, promotions and job guarantees during illness. Grievance procedures allow an employee an avenue of redress if he feels he has been dealt with unfairly.

The union movement has been the single most important force in establishing and guaranteeing the rights of workers in the normal labor market. But the benefits of union membership have not been extended to any significant degree into the marginal labor market. Very few of the working poor belong to trade unions or enjoy the advantages and protection provided under collective agreements with their employers. Collective agreements cover only four percent of the employees in laundries, one percent in shoe factories and leather tanneries, and three percent in restaurants,¹⁵ to give but a few examples.

The historical trend in the growth of organized labor is not promising for the working poor. Membership in trade unions and coverage under collective agreements have not increased much faster than the size of the labor force since 1945. There are formidable economic, logistic and legal barriers that bar the working poor from the benefits of union membership.

In the first place, the costs in time, money and effort required to bring employees of the marginal labor market into the fold of organized labor are considerable. If the working poor were to be organized, someone would have to bear these costs - and

it would more than likely have to be union members through their dues. Not even considering whether some members might object to subsidizing these substantial expenses, there is the question of how the labor movement can use its resources most effectively.

In purely organizational terms, trade unions have much more to gain by focussing their attention on higher-wage, more heavily concentrated industries in the normal labor market. Many of the working poor - domestics, farm laborers, and clerks in small stores, for example - are geographically scattered and often work in firms too small for employees to form an effective bargaining unit. The situation is further complicated by the fact that many low-income employees work on a part-time basis or don't remain long enough at any particular job to form the stable work force needed to support a successful union.

Legal requirements compound the organizing difficulties. A union must receive formal recognition - certification - from a labor relations board before it can represent a group of workers in negotiations with their employer. By appealing an application for certification, an employer can buy valuable time in which to undermine the organizing efforts of his work force and their union spokesmen. While the proceedings drag on, management can hope that the combined effects of dismissals, attrition and discouragement will weaken the will of union supporters, or it can even try to buy them off with wage increases or fringe benefit concessions.

Despite these impediments, some progress is occasionally made in organizing particular groups of workers in the marginal labor market. In British Columbia, for example, the provincial Labor Relations Board recently certified an oil and chemical workers union as the official bargaining agent for a group of farmhands. The Board ruled that the union, though not experienced in representing agricultural workers, was the only one in the area in a position to assist them.¹⁶ Although only a handful of employees

working on a single farm owned by two corporations are affected directly by the Board's decision, the case may encourage the development of unions among some farm workers in other parts of the country.

For most workers in the marginal labor market, however, this kind of example is an exception rather than evidence of a promising new trend. It is very unlikely that the majority of the working poor will ever be able to organize themselves into unions, or that the labor movement will be able to do it for them. Improved working conditions, better fringe benefits throughout their working years, and a more secure retirement will not come to the working poor through unions as it has for workers in the normal labor market. Instead there must be government action.

There are well-established precedents for the intervention of government in the labor market. It was long ago accepted that low-wage workers not protected by collective agreements and union membership should not be left entirely at the mercy of their employers or the vagaries of the economy.

Various social insurance programs have been established to ensure working Canadians some protection against the loss of earnings due to factors beyond their control. The Canada/Quebec Pension Plans, for example, provide benefits in the case of disability as well as after retirement. Provincial workmen's compensation programs protect workers who have been injured on the job. Federal unemployment insurance guarantees an income for a limited period in the event of sickness or job loss.

The multitude of benefits and eligibility rules under each of these programs is far too great to permit a detailed discussion here. However the shortcomings of the existing social insurance system were clearly summarized by a government-appointed committee in Saskatchewan which examined the overall effectiveness

of these and related programs in their limited role of insuring workers against accident and sickness:

(Their) coverage is fragmented, inconsistent, and inadequate ... while many persons have adequate coverage, many have little or none; benefit levels vary greatly between programs; the duration of benefits varies considerably ...¹⁷

Those who suffer most from the inadequacies and fragmentation are the working poor. These programs are the only form of insurance available to the vast majority of low-wage earners, but their protection is not always dependable. A worker who is injured on the way to his job rather than at work, for example, won't be eligible for any benefits from workmen's compensation. If he hasn't been at his job for the minimum period required for unemployment insurance, he won't be eligible for this program either. If he's working poor, with no private insurance and little savings, his family's financial situation can become desperate very quickly.

Even when a low-income worker is eligible for a particular program, the level of benefits will probably be low. Whether it's a pension based on 25% of pre-retirement earnings, unemployment insurance calculated as two-thirds of lost income, or workmen's compensation equivalent to three-fourths of pre-injury pay, the working poor are not even guaranteed their previous poverty incomes. They have to get by on less. Existing social insurance programs offer little security for the working poor.

Government intervention into the labor market, of course, is not limited to social insurance programs. Over the years both the federal and provincial governments have developed a body of laws - known as labor standards legislation - intended to protect the individual worker against exploitation and to improve working conditions. Such legislation is wide in scope and covers occupational health and safety, hours of work, rest days and holidays,

minimum age for employment, maternity leave, notice of termination of employment and, of course, minimum wages.¹⁸

Existing labor standards laws, however, are far from sufficient safeguards for the rights of the working poor. Certain groups of workers in the marginal labor market - notably farm workers and domestics - are still excluded from full protection in virtually all provinces. In most jurisdictions handicapped workers can be paid at rates below the minimum wage. Though employers must give notice of dismissal or provide compensating pay, unorganized workers have practically no legal protection from arbitrary firing - a gap which particularly hurts older workers, since they often face the greatest difficulty finding another job.

The failure of existing labor standards laws extends beyond the inadequacy of their levels and coverage. Some unscrupulous employers in the marginal labor market easily manage to circumvent protective legislation. For example, some companies hire recent immigrants who are unaware of their employment rights and pay them less than the minimum wage. Others employ illegal immigrants who are desperate for work and must accept any wage.

More subtle means of getting around the minimum wage laws are also available. An employer can pay on the basis of a weekly wage that disguises hours of work far in excess of legal limits, so that actual hourly rates fall below the minimum. Another trick is to set piecework rates so low that a worker can never produce enough to earn the minimum wage. If he does manage to work so fast that he approaches the minimum rate, his employer simply further reduces the piecework rate.¹⁹

Enforcing labor standards legislation is difficult because government agencies usually act only after they have received a complaint from an individual worker. Out of fear of being harassed or even fired, few workers dare complain about their employers to the authorities.

In some jurisdictions, fines imposed for infractions of the labor laws are too low to act as a real deterrent to employers willing to exploit their work force. Moreover, fines are not even levied for most violations involving minimum wages; instead, errant employers are merely required to reimburse workers the amount owed them - hardly a serious penalty for such an important breach of labor standards laws. Violations of minimum wage laws are most common in the small, non-unionized firms typical of the marginal labor market.

The difficulties of enforcement, combined with the gaps in existing legislation, thwart the capacity of current labor standards to fully protect low-income workers. Admittedly such laws alone will never give workers in the marginal labor market the same wages, benefits and working conditions as persons employed in the normal labor market. But they could ensure an end to the worst excesses of the marginal market. Over time, they could help reduce the inequality in benefits and conditions between the two labor markets.

THE BARRIERS TO THE NORMAL LABOR MARKET

The differences between the two labor markets are clear, the consequences for their work forces profound. It would be hard to imagine anyone wanting to remain in the marginal market. Obviously, then, there must be something that keeps its workers from moving into the normal labor market.

The conventional wisdom is that the working poor are stuck in their unrewarding jobs because they lack the education, work experience, aptitudes and skills that are needed in the normal labor market - the same factors frequently offered to account for their low wages. Such an explanation may be valid for some individual workers, but it is not sufficient to explain the situation of the working poor as a whole.

Rather, just as the two labor markets have rules and practices which determine their different wages and benefits, the normal labor market operates with an additional set of rules whose consequence - if not objective - is to limit entry into its jobs. These rules form a series of barriers to the normal labor market - barriers that lie outside the control of the working poor and trap them within the confines of the marginal labor market.

The first barrier is often the requirements that are attached to a job. It is not unusual for employers to set qualifications that are unnecessarily high and which do not reflect the knowledge and abilities actually needed for a particular position. For example, previous experience may be called for even though any competent person could learn the job in a few days, or a very specialized skill might be demanded although it's not used in the work. Even when an applicant is perfectly capable of doing the job, if he can't meet the inflated requirements, he won't get hired.

Research in Canada and the United States has demonstrated that not all job requirements are necessary to guarantee satisfactory job performance.²⁰ Many employers have only a vague and unproven notion of the actual requirements for particular jobs. Whatever standards are used to judge a worker's performance, often nothing is done to check whether his standing according to entrance tests, interviews and other selection methods bears any significant relationship to how well he subsequently functions as an employee.

A recent study of staffing practices for management positions in 35 Ontario manufacturing companies discovered that only one third had bothered to collect any data testing the link between job requirements and subsequent success. Most of the information was based only on the subjective opinions of supervisors as to their employees' performance, rather than a more comprehensive and objective measure.²¹

More direct proof of the irrelevance of some job requirements comes from experiments conducted by the Ford Motor Company in Detroit and IBM in New York City. Normal job qualifications such as high school diplomas and relevant job experience were relaxed for a group of high school dropouts and chronically unemployed persons. These so-called 'problem' or 'high-risk' workers demonstrated that, with very little special training, they soon were able to perform just as well as their fellow employees who met normal entry standards.²²

Educational requirements, in particular, often bear little or no sensible relation to the skills and aptitudes actually needed for a job. When these requirements are boosted unnecessarily, a double form of underemployment results. More educated workers are forced to accept jobs that previously called for lower qualifications, while less educated workers are squeezed into worse jobs or out of the market altogether.

If educational opportunity were distributed equitably in our society, this form of credentialism might be somewhat less intolerable. But there is abundant evidence that children from low-income backgrounds still don't get a fair chance in the Canadian educational system. They have lower educational aspirations, tend to drop out of school in disproportionate numbers and get lower grades than higher-income children of equal intelligence. An Ontario study found that a larger percentage of higher-income students with low mental ability graduate from high school than low-income kids with high intelligence.²³

Aptitude tests and interviews used to screen job applicants may act as barriers as well. Usually designed for and administered by middle-class people, they may prove bewildering, alienating and intimidating for some applicants from different economic and ethnic backgrounds. The general intelligence tests which are still widely used to select employees for many kinds of work gauge abilities and aptitudes that are at best remotely related to the performance of jobs - especially low-skilled ones.²⁴

Job requirements and employee selection methods aren't the only roadblocks to employment in the normal labor market. Some trade unions exclude low-income workers by imposing restrictive membership requirements such as high initiation fees and educational standards. Other unions curtail the entry of new members when business is slack as a means of protecting the jobs and wages of current union members.²⁵

Discrimination on the basis of such job-irrelevant factors as sex, age, marital status and racial and ethnic background is yet another job barrier. If promotion within the normal labor market depends so much on an employee displaying the 'correct' attitudes, behaviour and loyalty to the organization, it is hardly surprising that some employers will try to ensure that their hiring

practices select the 'right' and keep out the 'wrong' kinds of workers. Accent, appearance, skin color, sex, age - these often serve as the real test of a person's 'employability'.

We need only look around us to see ample evidence of this kind of job discrimination. Female employees are a prime case. In spite of the efforts of the women's movement, they remain massively disadvantaged in the job market.

Though more and more women are joining the labor force, a disproportionate number of them find jobs in low-paid occupations, especially in the expanding service and clerical fields. Most of the female work force remains segregated within occupations that are still considered 'women's work'. These jobs are typical of the marginal labor market - low-wage, dead-end, often irregular and unstable. Women continue to earn less than men even when they have the same qualifications and work in the same jobs.²⁶

Without tough, strictly enforced laws such discrimination will never be eliminated. But there are glaring gaps in existing legislation governing employment practices. Most important, for more than one million workers who fall under federal jurisdiction, the law still ignores discrimination on the grounds of sex, age and marital status.

Fortunately new human rights legislation now before Parliament will improve the situation of employees under federal jurisdiction. The act forbids job discrimination on the basis of race, national or ethnic origin, marital status, conviction for which a pardon has been granted and physical disability.²⁷ It also requires employers to pay women the same as men for work of equal value.

Human rights legislation represents an important advance in the fight against employment discrimination. It reduces some

of the barriers that now separate the two labor markets, and will make it possible for some marginal workers to move into the normal labor market.

But much more remains to be done. The removal of the barriers between the two labor markets can only be accomplished through the coordinated action of government, business and labor. Government can ban overt discrimination by enacting and strictly enforcing laws; it cannot prohibit inflated job requirements or bewildering employment interviews. Only the initiative and cooperation of industry and unions will bring an end to these barriers. Without such a concerted effort, the working poor will never be given fair access to the normal labor market.

TO GUARANTEE THE RIGHTS OF EMPLOYMENT

The working poor are trapped in the marginal work world - trapped by the pressure of family responsibilities on an inadequate income and by the lack of skills and formal qualifications required in an increasingly credentialist society.

Unstable work and earnings make their situation all the more intolerable. No matter how unrewarding work in the marginal labor market may be, many low-income workers live in daily fear of losing their jobs at the whim of a capricious employer or downturn of a troubled economy. The shutdown of a local fish-processing plant or textile mill, an unexpected layoff or protracted illness - anything that interrupts the flow of earnings - can push them even deeper into poverty.

To try to solve the problems of the working poor by getting rid of the industries and occupations that make up the marginal labor market would be the kind of surgery that would surely kill the patient. Eliminating marginal establishments outright would deprive hundreds of thousands of low-income Canadians of the only kind of work that is presently available to them. Even if all the barriers now blocking their access to the normal labor market were removed overnight, there would not be enough vacant jobs to employ more than a fraction of the workers freed from the marginal market.

Moreover, many of the jobs performed by the working poor are essential to the functioning of our economy. All of us need and benefit from the goods and services they produce. The non-poor majority of Canadians enjoy, in effect, a continuing subsidy from the working poor - a subsidy which stems from the underpayment of their labor.

The working poor are powerless to improve their situation on their own. They are a diverse, fragmented collection of

individuals spread throughout the country, lacking any kind of organization that can articulate their needs. Though they number in the hundreds of thousands, they remain an invisible minority within the nation's work force - the underclass of Canadian labor.

If the working poor are to be freed from their poverty and allowed to enjoy the same basic rights of employment as all other working Canadians, then government must act to guarantee those rights. The starting point has to be an adequate income.

The insufficiency of wages in the marginal labor market is the inevitable consequence of the process by which those wages are determined. The traditional government response - the minimum wage - cannot, by itself, solve the income problem for all working poor families. The only alternative is a program that will make up the difference between a family's earnings and the poverty line - a wage supplementation plan to ensure every working Canadian family an income sufficient for its needs.

Supplementation for the working poor has been under discussion by the federal and provincial governments since April 1973. A proposal for a program was put forward by the Minister of National Health and Welfare over a year ago and was accepted in principle by nine of the provinces - Ontario alone was in opposition. It would involve a provincially-administered supplementation plan, cost-shared by the federal government.

Recently the federal government initiated a study into a totally different approach to supplementation. Since last autumn senior officials of the welfare, finance and revenue departments have been investigating the possibility of building supplementation into the personal income tax system. Such an approach could lead to a federally-administered program that would apply throughout Canada.

A tax approach to supplementation has much to recommend it. It would ensure consistent benefits in every province and cover all of the working poor. Because it would be delivered through the tax system, it would carry no stigma and there could be no identification of its recipients. It would be inexpensive to administer and involve no new bureaucracy.

The basis for a tax-delivered supplementation program may have been laid in the budget which the federal Minister of Finance presented in March. The mechanism is the \$50 credit for dependent children which was added to the existing personal tax credit. (The latter reduces the bill of each taxpayer by \$200 or 9% of basic federal tax - whichever is greater - with a maximum cut of \$500). By providing a benefit (through a tax saving) which takes family size into account and which gives proportionately greater assistance to lower and middle income taxpayers, the dependents' credit is a rudimentary form of supplementation.

Obviously these credits are far too small to ensure anyone an adequate income. Moreover they offer no assistance to the poorest workers whose incomes are so low that they fall beneath the tax-paying threshold. However these problems can be overcome - the first by increasing the amount of the credits; the second by refunding the unused portion to anyone whose tax is less than the total credit to which he is entitled.

Whether the federal government chooses to build on this modest beginning or decides instead to pursue its supplementation proposal of a year ago, the paramount need is to have some form of supplementation and to have it soon. Last year the federal Minister of Health and Welfare assured that

the Government of Canada considers it a vital part of the reform of social security that there be a program of supplementation of income available to the working poor ... (and it) will take whatever steps it views as necessary to ensure that these ends are achieved.²⁸

It is time to deliver on this pledge.

The guarantee of an adequate income for the working poor cannot be limited solely to a supplementation program. The level of supplementation will never be sufficient for a family to save for retirement. Neither will the fringe benefit of private pension plans be extended into the marginal labor market. Surely if government eliminates the present poverty of the working poor through supplementation, it also ought to ensure that they will not fall back into poverty in their old age. This can only be accomplished by strengthening the public pension system.

The benefits of the Canada/Quebec Pension Plan must be significantly increased, especially for those who have had the lowest earnings. The current level of 25% of pre-retirement earnings - even on top of the Old Age Security payment - is grossly inadequate.

Combined benefits from the Canada/Quebec Pension Plan and Old Age Security program must, in the shortest possible time, be brought up to 50% of pensionable earnings (which, under the current law, will increase until they reach the average industrial wage). The longer-term goal should be a combined C.P.P. and O.A.S. pension of 75% of allowable earnings. To protect those workers with incomes so low that even 75% of former earnings is inadequate, the Guaranteed Income Supplement should be increased to ensure at least a poverty line income to all the aged.

To finance these changes there will have to be a higher contribution rate for the Canada Pension Plan. These increased contributions will present a financial problem for the lowest-income workers. However a report by the Canadian Council on Social Development points out that this could be solved through a sliding scale of contributions which decrease with income, the difference coming from general tax revenues.²⁹ Such a measure would be both equitable and reasonable.

A new supplementation program and a strengthened Canada/Quebec Pension Plan begin to ensure the working poor the most fundamental right of workers - an adequate income both in their working years and during their retirement. But additional measures are required if low-wage workers are to share in the other basic entitlements of employment.

The scope of labor standards laws must be broadened to guarantee unorganized workers a range of fringe benefits and working conditions similar to those enjoyed by organized workers covered by collective agreements.

Labor standards legislation must be enforced more vigorously. Government agencies should mount more active educational and publicity campaigns to inform employees - particularly unorganized workers in the marginal labor market - of their rights: what the various provisions of the law mean and how they are applied. As is the practice for violations of the Income Tax Act, the names of employers who are found guilty of infractions of labor standards legislation should be made public.

Domestics and farm workers must be brought under the protection of labor standards legislation in all jurisdictions. Some progress has been made in this regard in recent years. For example, the federal Department of Manpower has instituted a system of Farm Labor Pools whose employees must be treated according to established labor standards, and Ontario has extended protection to seasonal farm workers in the areas of minimum wages, public holidays and vacation pay.³⁰ The remaining gaps in coverage must be closed by all governments; no Canadian worker should be denied the full protection afforded by labor standards legislation.

Government job creation programs are another policy tool which have significant potential for the working poor but which must be improved.

LIP and OFY were pioneering ventures that attracted international attention as proof that ordinary citizens - many of whom were labelled as 'chronically unemployed' or 'problem workers' - can produce new and valuable goods and services which were previously unavailable. These programs, however, were far from perfect. Their greatest shortcoming was the relegation of their jobs to a temporary, second-class status because of the insistence that they pay minimal wages and not compete with the private sector. Now LIP and OFY have been replaced by a new generation of direct employment programs - Canada Works and Young Canada Works - that duplicate the key failing of the earlier ones.

Direct employment programs that produce low-paying, short-term jobs in a vain effort to get people to do something, anything, have in fact reproduced many of the worst features of the marginal labor market. Such programs must be redesigned to create jobs which offer decent wages and working conditions in return for work that is considered worthwhile in the eyes of both the worker and his community. These jobs should be closely integrated with training programs and counselling services specifically tailored to the needs of those individuals who want to use Canada Works as a stepping stone to employment in the normal labor market.

The redesigning of jobs should not be limited to government employment programs. There is also a need for more innovative policies which directly address the structure of the marginal labor market itself.

Governments, labor unions and employers together should explore ways of reorganizing jobs in the marginal labor market. Job promotion ladders could be built into some firms; many tasks could be redesigned and reorganized to provide less monotonous work as well as scope for learning new skills.

Along with innovations in the organization and method of work, special training programs could be designed to teach a broader range of useful skills. The advantage of such on-the-job training is clear. It provides direct work experience and specific skills that are relevant to the actual tasks which a worker does. It avoids the artificiality of classroom training which often turns out to be irrelevant to the practical requirements of jobs.

Private employers are unlikely to undertake such reforms and experiments on their own initiative. Government policies must provide incentives to encourage employers in the marginal labor market to restructure some of their jobs and improve their productivity, stability and market competitiveness. Organized labor has an equally important role to play, particularly by ensuring that workers themselves have a chance to participate in the redesign of jobs and development of better training opportunities.

None of these initiatives alone can solve the problems of the working poor. But taken together they can begin to narrow the gulf between the two labor markets and ensure that no one can both work and remain poor in our society.

Sixty percent of Canada's poor work, yet are unable to make a decent living from their efforts. In a society which distributes so many of its rewards on the basis of work, the situation of the working poor is both appalling and inexcusable. They have been cheated by the work ethic and denied the minimal rewards and conditions of employment that most Canadians have come to regard as their right.

FOOTNOTES

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The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council includes past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare have dealt with income security, taxation, the working poor, children in poverty, single-parent families, social employment, community organization, nutrition, legal aid/legal services, low-income consumers, poor people's groups and poverty coverage in the press. The Council has offered extensive commentaries on developments in the recently-concluded federal-provincial social security review.

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